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Subject :- Summary of Step 1,2, and 3 Of Market Segmentation .

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Step 1: Deciding (not) to Segment

3.1 Implications of Committing to Market Segmentation

Costs: Market segmentation involves expenses such as research, surveys, focus groups, packaging, advertisements, and communication. Assess if the expected increase in sales justifies these costs.

Product Development: Segmentation may require developing new products or modifying existing ones to meet the specific needs of each segment.

Pricing and Distribution: Adjust pricing strategies and distribution channels to cater to the varying preferences and sensitivities of different market segments.

Organizational Restructuring: Consider organizing the company around market segments rather than products. Strategic business units dedicated to segments help maintain focus on evolving market needs.

Executive-Level Decision Making: The decision to pursue market segmentation should be made at the executive level and consistently communicated throughout the organization.

Clear Communication: Consistently communicate the rationale, roles, and expected outcomes of market segmentation to ensure alignment and commitment across the organization.

By summarizing the implications into concise points, it becomes easier to grasp the key considerations when committing to market segmentation.

3.2 Implementation Barriers:-

Senior Management:

1. **Lack of Leadership:** Senior management's lack of leadership and commitment undermines segmentation efforts.
2. **Resource Allocation:** Insufficient allocation of resources, both financial and skilled personnel, hampers segmentation efforts.

Organizational Culture:

3. **Lack of Market Orientation:** A culture lacking a customer-centric mindset hinders effective segmentation.
4. **Resistance to Change:** Organizational resistance to change impedes the adoption of market segmentation.
5. **Poor Communication:** Inadequate communication within the organization leads to misunderstandings and lack of alignment regarding the segmentation strategy.

Operational Factors:

6. Insufficient Training and Expertise: Lack of training and understanding among team members poses challenges.
7. Data Management Expertise: Inadequate expertise in data analysis and management hampers effective segmentation.
8. Objective Restrictions: Limited finances and an inability to make structural changes restrict segmentation implementation.
9. Process-related Barriers: Unclear objectives, lack of planning, and time pressure hinder successful implementation.

Overcoming Barriers:

10. Proactive Identification and Resolution: Actively identify and address barriers to successful segmentation implementation.
 11. Consider Abandonment: Evaluate the feasibility of the strategy if barriers are insurmountable.
 12. Resolute Sense of Purpose: Maintain a strong commitment, dedication, and patience throughout the implementation process.
- By reframing the information as concise points, it becomes easier to understand and remember the barriers that organizations may encounter when implementing market segmentation, as well as the necessary steps to overcome them.

3.3 Step 1 Checklist:-

Is the organization's culture market-oriented? If not, reconsider proceeding with market segmentation.

Is the organization genuinely willing to change? If not, reconsider proceeding with market segmentation.

Has senior management actively participated in the market segmentation analysis?

Are sufficient resources allocated for market segmentation efforts?

Is there clear communication and understanding of the segmentation strategy across the organization?

Does the organization possess the necessary expertise in data analysis and management for effective segmentation?

Has the organization assessed its financial capabilities and ability to make necessary structural changes?

Are the objectives of the segmentation strategy well-defined and aligned with business goals?

Is there a clear plan with realistic timelines and milestones for implementing market segmentation?

Step 2: Specifying the Ideal Target Segment:-

Knock-out criteria:

Essential features that segments must possess to be considered for targeting.

These criteria serve as non-negotiable factors.

Examples may include market size, growth potential, profitability, accessibility, compatibility, competition, technological factors, and socio-political considerations.

Attractiveness criteria:

Used to evaluate the relative attractiveness of segments that meet the knock-out criteria.

These criteria help assess the desirability of segments for targeting.

Examples may include market size, growth rate, profitability potential, ease of market access, competitive intensity, technological factors, and socio-political factors.

User Involvement:

User input throughout the segmentation process is crucial for producing useful results.

User involvement ensures that the segmentation analysis incorporates valuable insights.

User feedback helps refine and validate the segment evaluation criteria.

Conceptual Contribution:

The organization contributes conceptually by determining the two sets of segment evaluation criteria.

The first set includes knock-out criteria, which are essential features that segments must possess to be considered for targeting.

The second set comprises attractiveness criteria, which are used to evaluate the relative attractiveness of segments that meet the knock-out criteria.

Selection and Prioritization:

The segmentation team selects and prioritizes criteria based on their relevance to the organization.

Criteria serve as a shopping list from which the team can choose and prioritize based on their strategic importance.

This ensures that the evaluation process aligns with the organization's specific goals and objectives.

4.1 Segment Evaluation Criteria:

Knock-out criteria automatically eliminate segments, while attractiveness criteria evaluate the relative attractiveness of segments. Criteria include market size, growth, profitability, accessibility, compatibility, competition, technological factors, and socio-political considerations.

4.2 Knock-Out Criteria:

Knock-out criteria determine if segments meet essential requirements. Criteria include substantiality, measurability, accessibility, segment homogeneity, distinctiveness, size, alignment with organizational strengths, identifiability, and reachability.

4.3 Attractiveness Criteria:

Attractiveness criteria evaluate the relative attractiveness of segments. Segments are not binary; they are rated based on their attractiveness. The collective assessment of attractiveness helps select target segments.

4.4 Implementing a Structured Process:

Following a structured process benefits market segmentation. A segment evaluation plot is a popular approach, with segment attractiveness and organizational competitiveness as axes. Determining criteria requires exploring a wide range of possible factors. A team of individuals, including representatives from various organizational units, should be involved.

The advisory committee discusses and potentially modifies the initial solution proposed by the core segmentation team.

5.1 Segmentation Variables:

Commonsense segmentation uses a single characteristic, while data-driven segmentation uses multiple variables.

Empirical data is crucial for valid segmentation solutions and accurate segment descriptions.

Data can be obtained from surveys, observations, and experimental studies.

5.2 Segmentation Criteria:

Choosing the segmentation criterion is a crucial decision.

Geographic, socio-demographic, psychographic, and behavioral criteria are available.

Simple approaches that effectively align with the product or service are recommended.

5.2.1 Geographic Segmentation:

Involves using location of residence to form market segments.

Useful for targeting consumers from specific neighboring countries with different languages and cultural preferences.

5.2.2 Socio-Demographic Segmentation:

Uses factors like age, gender, income, and education.

Commonly used in industries like luxury goods, cosmetics, and tourism resorts.

May not provide sufficient market insights on its own.

5.2.3 Psychographic Segmentation:

Groups individuals based on psychological criteria like beliefs, interests, preferences, and aspirations.

Includes benefit segmentation and lifestyle segmentation.

Provides insight into underlying reasons for consumer behavior.

5.2.4 Behavioral Segmentation:

Focuses on similarities in behavior or reported behavior.

Utilizes variables like prior product experience, purchase frequency, and information search behavior.

Analyzes actual behavior to group individuals based on similarity.

5.3 Data from Survey Studies:

Inclusion of relevant variables and avoidance of unnecessary ones is crucial for quality segmentation.

Different response options generate different types of data (binary, nominal, metric, ordinal).

Response biases and styles should be minimized to ensure accurate results.

Sample size is important for accurate segmentation, with recommendations varying based on segmentation variables and data complexity.

5.4 Data from Internal Sources:

Organizations can utilize internal data like scanner data and online purchase data.

Represents actual consumer behavior but may have bias toward existing customers.

5.5 Data from Experimental Studies:

Experimental data from field or laboratory experiments can be valuable.

Choice experiments and conjoint analyses provide information on preferences and attribute impact.
Can be used as segmentation criteria.